



## **Report to the Legislature**

# **Efforts to Contain Per Capita Cost of Adoption Support and Foster Care Services**

Chapter 518, Laws of 2005, Section 202(6)

January 2006

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**Department of Social and Health Services  
Legislative Report on Efforts to Contain Per Capita Cost of  
Adoption Support and Foster Care Services**

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# **Efforts to Contain Per Capita Cost of Adoption Support and Foster Care Services**

## **EXECUTIVE SUMMARY**

In accordance with the requirement of Chapter 518, Laws of 2005, Section 202(6), the 2005 Legislature directed the Department of Social and Health Services to:

*Within amounts provided for the foster care and adoption support programs, the department shall control reimbursement decisions for foster care and adoption support cases such that the aggregate average cost per case for foster care and for adoption support does not exceed the amounts assumed in the projected caseload expenditures. The department shall adjust adoption support benefits to account for the availability of the new federal adoption support tax credit for special needs children. The department shall report annually by October 1<sup>st</sup> to the appropriate committees of the legislature on the specific efforts taken to contain costs.*

Children's Administration has made multiple efforts to contain adoption support and foster care cost, without significantly diminishing services to children and their families. As described more fully in this report, these efforts include:

For the Adoption Support Program:

- Implement Comprehensive Financial Management System
- Implement Improved Adoption Subsidy Monitoring Tool
- Review the Foster Care Rate Assessment Process

For Foster Care Services:

- Implement Comprehensive Financial Management System
- Rebalance Regional Foster Care Budget Levels
- Improved Gatekeeping of Behavioral Rehabilitation Services
- Strengthen Service Array through Contracts Review
- Strengthen Service Array through the Introduction and Expansion of Evidence-Based Practices
- Review the Foster Care Rate Assessment Process

These efforts are improvements in the services and business processes of the Children's Administration. Nonetheless, it is unlikely that these steps will close the substantial gap between the appropriated levels and needed resources. After extensive consultation with the Governor's Office and the Legislature, the Governor's Proposed Supplemental Budget increased the appropriations for the Adoption Support Program and Foster Care Services in Fiscal Year 2006 and Fiscal Year 2007.

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**INTRODUCTION**

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**THE ADOPTION SUPPORT PROGRAM**

**About Adoption Support**

The Adoption Support Program is available to assist families who adopt children with special needs. To be considered a child with special needs, according to WAC 388-27-0140, one or more of the following factors or conditions must exist:

- "a) The child is of a minority ethnic background;
- b) The child is six years of age or older at the time of application for adoption support;
- c) The child is a member of a sibling group of three or more or of a sibling group in which one or more siblings meets the definition of special needs;
- d) The child is diagnosed with a physical, mental, developmental, cognitive or emotional disability; or
- e) The child is at risk for a diagnosis of a physical, mental, developmental, cognitive or emotional disability due to prenatal exposure to toxins, a history of serious abuse or neglect, or genetic history."

The Adoption Support Agreement is a contract between the state and the family to financially support children with special needs from the time they are adopted until they reach 18 years of age (or slightly longer under special circumstances). The agreement cannot be modified except by mutual consent between Children's Administration and the adoptive parents. This requirement is in federal statute, Title IVB of the Social Security Act Section 473(a)(3), which states that adoption support payments:

*“ . . . shall be determined through agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically with the concurrence of the adopting parents. . . ”*

Federal regulation 42 CFR 1356.40 (c) further clarifies:

*“There must be no income eligibility requirement (means test) for the prospective adoptive parent(s) in determining eligibility for adoption support payments.”*

States that participate in the Temporary Assistance to Needy Families program (Title IV-A) must also operate an Adoption Support Program in accordance with federal requirements. Similarly, participation in the Federal Foster Care Program requires compliance with all the requirements of Title IV-E including an Adoption Support Program.

The basis of the Washington State Adoption Support Program is also clear in RCW 74.13.128 which states in part:

*The purpose of this section is to assure any such parent that, upon his consenting to assume the burdens of adopting a hard to place child, the state will not in future (sic) so act by way of general reduction of appropriations for the program authorized by RCW 26.33.320 and 74.13.100 through 74.13.145 or ratable reductions, to impair the trust and confidence necessarily reposed by such parent in the state as a condition of such parent taking upon himself the obligations of parenthood of a difficult to place child.*

An Adoption Support Agreement is reviewed every five years or earlier if the family advises the department of a change in circumstances or in the needs of the child. This review is not necessarily a renegotiation. The total payment is rarely dropped for other reasons because children generally become more expensive as they grow older. This is especially true for children with disabilities.

Nationally, 88 percent of all children adopted from foster care received an adoption subsidy. Since 2000, this statistic for Washington State has risen from 76.2 percent to match the national average of 88 percent. The reason(s) for this increase are not entirely clear.

In January 2005, the U.S. Department of Health and Human Services published a report entitled *Understanding Adoption Subsidies: An Analysis of AFCARS Data*. AFCARS is

the national Adoption and Foster Care Analysis and Reporting System in which states are required to participate. Two of the findings of that report are:

- Children's age and special needs influenced subsidy receipt and amount
- Pre-adoptive relationship and other characteristics of adoptive families influence children's subsidies.

In Washington, the proportion of children receiving adoption subsidies who are 12 to 17 years of age has risen from 33.6 percent to 38.7 percent. This may be one factor influencing the per capita costs upward. In addition, children adopted by their non-relative foster parents receive a higher subsidy than other special needs children. Seventy percent of the children receiving subsidies are adopted by non-relative foster parents.

### **The Adoption Support Budget**

The Fiscal Year 2006 budget provides funding for adoption support based on the forecast adopted by the Caseload Forecast Council for the biennium. The Fiscal Year 2006 Adoption Support Budget is \$8.9 million less than what is needed to support current adoptions and to complete anticipated adoptions in Fiscal Year 2006.

This projected shortfall was identified when the budget was being developed. Historically, the forecast for the Adoption Support Budget was based on the number of children eligible for the program. Not all families with eligible children request a subsidy. The proportion of eligible children for whom the department pays a subsidy has been growing. There is no firm data on why this is occurring. The Caseload Forecast Council has recently agreed to base future projections on the paid, rather than all eligible, cases.

Additionally, the per capita cost figure used to estimate the Fiscal Year 2006 adoption support budget was below the figure actually expended in Fiscal Year 2005. The higher actual costs were associated with Medicaid and maintenance costs for the children.

In order to avoid overspending this appropriation, the Children's Administration would have to reduce caseload by 776 children from the current level of 10,685. In other words, at the projected Fiscal Year 2006 cost rate, the Children's Administration can serve 9,909 children with the appropriation of \$70.9 million in Fiscal Year 2006. Reducing the caseload is not feasible because of the federal requirements cited above.

If it were possible to reduce the Adoption Support caseload by 776 children at an average cost of \$597 per month, most would likely be maintained in foster care. Family foster care averages \$1,096 per month. This could result in an additional \$10.2 million over-expenditure in the Foster Care Program.

## **Efforts Underway to Manage Per Capita Adoption Support Costs**

The following actions are designed to carefully manage the level of adoption support in new agreements:

- Implement Comprehensive Financial Management System: Children's Administration is developing a comprehensive financial management system that will improve financial controls at multiple levels. Since October 2005, Children's Administration has conducted monthly budget management reviews with the regions and central office divisions. Beginning in February 2006, these monthly budget meetings will include a review with the Assistant Secretary of Children's Administration of the Adoption Support per capita costs by region. Corrective action plans will be implemented, if indicated.
- Implement Improved Adoption Subsidy Monitoring Tool: The Adoption Subsidy Monitoring Tool was revised in 2005. It is one page long and offers simple questions that a family can answer to determine if they may be entitled to a tax credit. In compliance with RCW 74.13.112, WAC 388-27-0220 and WAC 388-27-0230, the tax credit will be considered along with other family circumstances to determine adoption support payments. Information from the new worksheet will be entered into a database to track the factors that influence subsidy decisions.
- Review the Foster Care Rate Assessment Process: Data from July through December 2005 suggest that 70 percent of the families who adopt children through the Children's Administration provide foster care to those children before adoption. In this circumstance, a family may become accustomed to the level of support provided by the foster care rate. Where restructuring rates results in a reduced total foster care payment, a beneficial long-term effect on the Adoption Support subsidy program is anticipated as well. This effort is discussed in more detail in the section on foster care costs.

## **The New Federal Adoption Support Tax Credit For Special Needs Children**

The 2005 legislature directed that "the department adjust adoption support benefits to account for the availability of the new federal adoption support tax credit for special needs children." (Chapter 518, Laws of 2005, Section 202[6]). As noted on Page 3, it is not likely this can be done within existing agreements, because they cannot be revised without the mutual consent of the state and adoptive parents.

When establishing new agreements, the availability of the tax credit must be considered in conjunction with the other factors outlined in RCW 74.13.112 and WAC 388-27-0230. Families are required to complete a worksheet as part of the application process. One of the questions on the worksheet asks if they anticipate an adoption tax credit. This continues to be difficult for some families to answer, particularly if their income and deductions vary from year to year. Answers are usually based on what their income was the year before. Children's Administration devised a series of questions to help adoptive parents answer

correctly but it is only an estimate. Children's Administration looks at the family's overall circumstances (debt, dependents, out of the ordinary expenses, resources) and the availability of a tax credit to determine their ability to take care of the expenses directly related the child's special needs.

## **FOSTER CARE SERVICES**

### **About Foster Care**

In Fiscal Year 2006, there will be over 8,000 children each month whose care is paid from the foster care budget. This number includes all children placed in licensed care, including receiving care, family foster care, and Behavioral Rehabilitation Services, as well as children in dependency guardianships and tribal custody. It does not include another 3,000 children in unpaid care with relative caregivers. Of the 8,000 children whose care is paid from this budget, approximately:

- 5,000 of these children are placed in family foster care
- 1,500 are placed with families through dependency guardianships or tribal courts
- 1,000 children are in Behavioral Rehabilitation Services, which are contracted services that provide rehabilitation and treatment placements for children and youth with serious emotional, behavioral, or medical difficulties who cannot be adequately served in regular family foster care
- 500 children are in receiving homes, a short-term placement when children initially enter out-of-home care.

The highest per capita costs are in Behavioral Rehabilitation Services. In Fiscal Year 2005, the per capita for this service was approximately \$4,750 per month, about 40 percent of total expenditures in foster care. Currently about 600 of the children in Behavioral Rehabilitation Services cost more than \$3,000 per month. Twenty-seven (27) of these children have a monthly cost of more than \$7,000 per month. The addition of one child with a monthly cost of more than \$7,000 raises the monthly per capita cost for all children in Behavioral Rehabilitation Services by over \$9.00.

### **The Foster Care Budget**

The Fiscal Year 2006 budget provides funding for foster care based on the forecast adopted by the Caseload Forecast Council for the biennium. In Fiscal Year 2005, the Children's Administration spent an average of \$1,578 per month for each of the 7,978 children in foster care. This is \$22 per month higher than the per capita cost assumed in the Fiscal Year 2006 appropriation. Foster family homes have the largest discrepancy between actual costs last year and the appropriated costs for this year. In Fiscal Year 2005, foster family homes incurred costs of \$1,055 per child per month. However, the Fiscal Year 2006 appropriation provides \$991 per month per child for foster family homes. The receiving home category has a gap of \$13 per child per month while Behavioral Rehabilitation Services received \$19 more per child per month in Fiscal Year 2006 than was spent in



Fiscal Year 2005. This is due mainly to the emergency cost control measures that were initiated last year.

Three factors seem to have contributed to this shortfall.

First, there is a technical issue related to the recovery of foster care costs by the Division of Child Support. The Division of Child Support collections are now attributed to the month and year when service was provided (as required by federal law). This change became effective January 2003. In the past, the Department treated these recoveries as resources available in the month and year they were recovered. About 60 percent of the recovery revenue is attributable to previous biennia because that was when the services were provided. Those funds are deposited into the general fund and are not available to Children's Administration. This results in a \$2 million per year shortfall in revenue for Fiscal Years 2006 and 2007. Starting in Fiscal Year 2006, the Children's Administration will accrue to the foster care forecast.

Second, field offices report an unfunded increase in contracted supervised visitations between foster children and their parents. An increasing frequency of visits is being ordered by the courts. The costs associated with supervised visits is expected to more than double from \$2.7 million in Fiscal Year 2004 to \$4.6 million in Fiscal Year 2006, generating a \$1.9 million shortfall.

Third, the 2005-2007 biennial budget removed a portion of the additional increase that was included in the mandatory caseload adjustment for estimated growth in the cost of services.

If access to the adoption support program is limited or delayed, the shortfall in the funding of the foster care program will be exacerbated. Foster children awaiting adoption will stay in the foster care system, resulting in increased costs and straining the limited resources available.

### **Efforts Underway to Contain Per Capita Foster Care Costs**

The following efforts have been undertaken to contain foster care costs:

- Implement Comprehensive Financial Management System: Children's Administration is developing a comprehensive financial management system that will improve financial controls at multiple levels. Since October 2005, Children's Administration has conducted monthly budget management reviews with the regions and central office divisions. Beginning in February 2006, these monthly budget meetings will include a review with the Assistant Secretary of Children's Administration of the Foster Care per capita costs by region. Corrective action plans will be implemented, if indicated.
- Rebalance Regional Foster Care Budget Levels: Children's Administration has rebalanced the Foster Care allotments that were given to the regions for Fiscal Year 2006 by using Calendar Year 2004 actual expenditures adjusted by difficulty of care

(as indicated by the risk levels assessed on referrals). Further adjustments were made in higher cost regions in order to stay within the Fiscal Year 2006 appropriation, which is \$900,000 less than the expenditures in Fiscal Year 2005 prior to the 1 percent vendor rate increase provided for Fiscal Year 2006.

- Improved Gatekeeping of Behavioral Rehabilitation Services: Children's Administration has instituted more rigorous monitoring of Behavioral Rehabilitation Services. Proposed admissions are carefully scrutinized and, within three months of admission, a target date for discharge is set. A child's progress is monitored to see whether the service is meeting the child's needs and the payment level is reduced as the child improves.
- Strengthen Service Array through Contracts Review: The Children's Administration is conducting an extensive review of its contracts. The review will result in more effective and efficient contracted services, with demonstrated outcomes, being available to match client's needs. Increased use of performance-based contracts and strengthened partnerships between the Children's Administration and contractors will improve desirable outcomes that may correlate with reduced costs.
- Strengthen Service Array through the Introduction and Expansion of Evidence-Based Practices: In conjunction with the Mental Health Division and the Juvenile Rehabilitation Administration, Children's Administration is introducing and expanding evidence-based practices. Through a collaborative effort titled the Children's Mental Health Initiative, five evidence-based practices will be introduced or expanded over the course of the 2005-2007 Biennium. By providing the best services to the child and family at the right time, state resources can be used more effectively. The first two evidence-based practices being implemented through this initiative, Multi-Dimensional Treatment Foster Care and Functional Family Therapy, have been proven to improve outcomes such as:
  - Improved parenting skills
  - Decreased inappropriate parental punishment
  - Increased placement stability
  - Reduced youth substance abuse
  - Reduced violent behaviors
  - A reduction in other behaviors that are often exhibited by at-risk youth.

Multi-Dimensional Treatment Foster Care has been demonstrated to reduce children's need for intensive levels of care and is expected to reduce the length of stay in the most costly out-of-home care, Behavioral Rehabilitation Services. Functional Family Therapy is expected to reduce entries into foster care through the Family Reconciliation Program and has been shown to reduce further system involvement of younger siblings.

- Review of Foster Care Rate Assessment Process: The Children's Administration implemented a standardized Foster Care Rate Assessment in January 2001 to

determine the rate of foster parent reimbursement and specify the foster parents' care obligations for children.

The Children's Administration is now in the process of beginning a review of the rate assessment process with a comprehensive analysis that will identify areas needing revision, clarification, control, and oversight. In addition the relationships of foster care payments to adoption support and other social service payment authorizations will be reviewed, as foster care rates directly relate to future adoption support rates.

## **CONCLUSION**

Children's Administration has taken multiple steps to contain adoption support and foster care costs where they can be accomplished without significantly diminishing services to children and their families. As described in this report, these initiatives are significant improvements in the services and business processes of the Children's Administration. Nonetheless, it is unlikely that these measures will close the substantial gap between the appropriated levels and needed resources. Further actions to contain costs would likely have a negative effect on children, families, and service providers.

Consultation concerning both the adoption support and foster care budgets has occurred with the Office of the Attorney General, the Governor's Office, and the Legislature. As a result, the Governor's Proposed Fiscal Year 2006 Supplemental Budget for Adoption Support includes an increase of approximately \$8.9 million in Fiscal Year 2006 and \$12.2 million in Fiscal Year 2007.

Regarding the foster care budget, a recommendation resulting from the collaboration with the Office of the Attorney General, the Governor's Office, and the Legislature is to itemize several cost categories previously included in the aggregate foster care budget forecast methodology. These categories include but are not limited to:

- Supervised Visitation
- Placement Evaluations
- Respite
- Foster Care Support
- Basic Needs.

This recommendation is reflected in the Governor's Proposed Supplemental Budget. Supervised Visitation and Placement Evaluations are singled out for specific legislative review. The foster care budget is increased by a total of \$0.9 million in Fiscal Year 2006 and \$1.4 million in Fiscal Year 2007.